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FISCAL IMPACT STATEMENT

LS 6150
BILL NUMBER: HB 1029

NOTE PREPARED: Nov 28, 2006
BILL AMENDED:

SUBJECT: State-Funded Textbooks.

FIRST AUTHOR: Rep. Hoy
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill has the following provisions:

Textbooks For Students Without Charge- The bill provides textbooks to students in public schools at no charge to the student's family.

Textbook Rental Program- The bill repeals the public school textbook rental program and the public school textbook library program. The bill repeals the program that provides state reimbursement for textbook assistance to certain public and private school students.

Textbook Definition- The bill redefines "textbook" to include the various kinds of instructional materials that are currently eligible for state reimbursement under the textbook assistance program.

Textbook Fund- The bill requires each school corporation to establish a textbook fund and to appropriate money from the fund to purchase and distribute textbooks.

Textbook Grant- The bill provides an annual state textbook grant to school corporations of $95 multiplied by the average daily membership of the school corporation for deposit in the textbook fund.

The bill makes conforming changes, and adds transitional provisions.

Effective Date: July 1, 2007.

Summary of Net State Impact: The following table illustrates the state's potential net cost regarding the provisions of this bill assuming SFY 2007 projected levels of PTRC/Homestead and textbook appropriations.

SFY	Textbook Grants	Elimination of State Appropriation for Textbooks	Less: Reduction in PTRC & Homestead	**Net Cost***
2008	$95.5 M	($19.9 M)	($0.089 M)	**$75.5 M**
2009	$96.2 M	($19.9 M)	($0.094 M)	**$76.2 M**
2010	$96.9 M	($19.9 M)	($0.099 M)	**$76.9 M**

SFY-State Fiscal Year

*As described below in the Temporary Assistance for Needy Families (TANF) section, the net cost to the state shown in the table could increase by up to $11 M per fiscal year if additional expenditures in another program are required. However, reclassification of existing, but unidentified, expenditures could mitigate the net increase.

Explanation of State Expenditures:

Textbook Grant- School corporations would be eligible for a state grant per ADM of $95. The projected costs of these grants are approximately $95.5 M for SFY 2008, $96.2 M in SFY 2009, and $96.9 M in SFY 2010.

Textbook Rental Program- P.L. 246-2005 appropriated $19.9 M for SFY 2007 to pay for a portion of the costs of textbook rental fees that are waived by school corporations for children of families who qualify for the federal Free and Reduced Lunch Program. Since the bill abolishes the textbook rental program, the state General Fund would realize a savings of $19.9 M for SFY 2008 and thereafter (based on the assumption that future appropriations remain at the SFY 2007 level).

Potential Impact on the TANF Block Grant Program- The elimination of the textbook rental program may impact the TANF program. States are required to meet a specified maintenance of effort (MOE) level in order to qualify for the federal TANF block grant of about $206 M annually. Indiana's annual TANF MOE obligation is in the $120 M range. The Family and Social Services Administration (FSSA) meets this obligation by expending state funds appropriated for this purpose and by claiming expenditures from other state agencies that meet the purposes and requirements of eligible TANF MOE expenditures.

FSSA has been able to include as MOE about $11.3 M of the $19.9 M state expenditure for textbooks because it is an expenditure targeted at the low-income population. However, because the proposed textbook grant program is targeted at the general student population, the state expenditure will not qualify as an MOE expenditure, thus requiring either additional expenditures in another program or reclassification of existing, but unidentified, expenditures as MOE. (The reclassified funds, if qualifying, must also demonstrate an increase in expenditures from the TANF base year. Only the increase in funds can be included as meeting the TANF MOE requirement. For this reason, FSSA cannot count the entire $19.9 M textbook expenditure described above as MOE.)

Actual aggregate MOE expenditures totaled $124.4 M in federal fiscal year (FFY) 2005 and $121.2 M in FFY 2006. The proposed state MOE expenditures in FFY 2007 are projected to be $121.9 M.

Township Assistance/Reduction of PTRC & Homestead Credit- The state in CY 2008 will pay 22.7% of the Property Tax Replacement Credit (PTRC) and Homestead Credit on township assistance levies. The reduction in the township assistance levy explained under local revenues will result in a projected savings to the state paid by PTRC of $89,000 in SFY 2008 (22.7% of $395,000). PTRC is paid from the Property Tax Replacement Fund which is supplemented by the state General Fund. Therefore, any reduction in PTRC actually reduces expenditures from the state General Fund.

Explanation of State Revenues:

Explanation of Local Expenditures: See *Explanation of Local Revenues*.

Explanation of Local Revenues: *Textbook Rental Program* - School corporations currently pay for textbooks using textbook rental fees, proceeds from the sale of used textbooks, state reimbursement of textbooks for children who qualify for the federal Free and Reduced Lunch Program, and financial assistance from township trustees. As proposed by this bill, school corporations would be eligible to use a state grant of $95 per ADM instead of the above sources. Under the bill, the CY 2007 grant would only be 50% of the total received in a year.

The following table compares the projected costs and revenues to public school corporations under current law to the projected costs and revenues as proposed by this bill.

	Estimate Based On Current Law				Estimate Based on Proposed Bill				
CY	Projected Revenue	Projected Costs	**Current Diff.**		Projected Revenue	Projected Costs	Less: Trustees Assistance	**Projected Diff.**	**Net Change**
2007	$88.5 M	($85.5 M)	**$3 M**		$91.9 M*	($85.5 M)	($0.192 M)	**$6.2 M**	**$3.2 M**
2008	$91.0 M	($105.0 M)	**($14 M)**		$95.8 M	($105.0 M)	($0.406 M)	**($9.6 M)**	**$4.4 M**
2009	$93.6 M	($117.5 M)	**($23.9 M)**		$96.5 M	($117.5 M)	($0.428 M)	**($21.4 M)**	**$2.5 M**

*Includes one-half of CY 2007 Projected Revenue- $44.3 M and one-half CY 2007 State Grant-$47.6 M.

Estimate Based on Current Law- Under current law, the revenues that school corporations receive from textbook fees and sales are projected to increase at an average rate of 2.8% annually. Monies from the state General Fund for textbook reimbursements are assumed to remain at the SFY 2007 level (General Fund reimbursements), and assistance from township trustees is projected based on a five-year history starting from SFY 2001 (Township Trustee assistance). Textbook purchases are projected to increase by an average rate of 4% annually. The difference between projected revenues and expenditures is shown in the column with the heading "Current Diff." These projections show that costs would exceed collected revenues assuming that projected trends occur.

Estimate Based on Proposed Bill- As proposed by the bill, school corporations would be eligible to receive revenue from a state grant based on each school corporation's ADM. This grant revenue, estimated to be approximately $95 M per state fiscal year, is projected to exceed revenues that school corporations currently receive from other sources. The townships' respective maximum levies would be reduced by approximately $192,000 in CY 2007 (½ the calendar year), $406,000 in CY 2008, and $428,000 in CY 2009, which would translate into a gross property tax reduction in the same amount for each calendar year. Taxpayers would realize a net property tax savings (after PTRC and Homestead) of approximately $148,000 in CY 2007 (½ the calendar year), $314,000 in CY 2008, and $331,000 in CY 2009. The projected savings for local units of government in future years is based on expenditures last reported in SFY 2006 of about $355,700.

Net Change- The final column in the table above shows the difference between the net differences of the two sets of projections. Overall, when comparing the differences in projections between current law and this bill, school corporations could potentially realize an increase in revenue of $3.2 M in CY2007, $4.4 M in CY 2008, and $2.5 M in CY 2009.

Textbook Rental Program- Under current law, school corporations may provide free textbooks through elementary and high school libraries if 51% of the registered voters in the school district approve a referendum. This bill would effectively end school general fund revenue that is used to provide free textbooks via a school library textbook program. The number of schools with a library textbook program is unknown.

State Agencies Affected: Department of Education, Department of Local Government Finance, Treasurer of State.

Local Agencies Affected: School corporations.

Information Sources: Department of Education ORACLE Data Tables; Jim Dunn, FSSA, 317-232-4908.

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